

CITY OF EVERLY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
JULY 1, 2019 THROUGH JUNE 30, 2020

T.P. ANDERSON & COMPANY, P.C.
Certified Public Accountants

Table of Contents

	<u>Page</u>
Officials	1
Independent Accountant's Report on Applying Agreed-Upon Procedures	2-4
Detailed Recommendations	5-6

CITY OF EVERLY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Behrens	Mayor	December 31, 2021
Cheri Hoyer	Council Member	December 31, 2021
Josh Muckey	Council Member	December 31, 2023
Tara Patrick	Council Member	December 31, 2023
Tracey Grigg-Schuver	Council Member	December 31, 2021
Shaun Iske	Council Member	December 31, 2023
Kristi Fliss	City Clerk	Indefinite

City of Everly



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6 to provide oversight of Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Everly for the period July 1, 2019 through June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Everly's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6), and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.

8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B, and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384, and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City has no Tax Increment Financing as of June 30, 2020.
11. We traced selected receipts for accurate accounting and consistency with the recommended COA.
12. The City has no voter approved levies as of June 30, 2020.
13. We traced selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA, and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We traced transfers between funds to proper authorization and accurate accounting and determined whether proper.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether proper.
16. We observed the annual certified budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Everly during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

T.P. Anderson & Company, P.C.

December 31, 2020

Detailed Recommendations

City of Everly

Detailed Recommendations

For the period July 1, 2019 through June 30, 2020

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling, and recording.
- (2) Receipts – opening mail, collecting, depositing, recording, reconciling, and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling, and recording.
- (4) Payroll – recordkeeping, preparing, and distributing.
- (5) Utilities – billing, collecting, depositing, and posting.
- (6) Financial reporting – preparing and reconciling.
- (7) Journal entries – preparing and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be published within fifteen days of the meeting. The minutes for one meeting reviewed was not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days of the meeting, as required.

- (C) Business Transactions – Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brad Behrens, Mayor, Employee and son of owner of Custom Welding & Repair	General repairs & maintenance	\$ 810
Josh Rinehart, City Employee	Equipment Rental	628
Shaun Iske, Councilmember, Owner of Quik Spot	Fuel	3,326
Tony Seivert, Utility Board Member, Employee at Dave's Sand & Gravel	Rock/gravel for roads, Snow removal	1,278

City of Everly

Detailed Recommendations

For the period July 1, 2019 through June 30, 2020

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

- (D) Transfers – Transfers between funds were not always approved by resolution. It was also noted that there was a transfer that was made in a different amount as the resolution stated. Transfers also did not net to zero because of a payroll transaction that was posted to a transfer account.

Recommendation – The City should make sure that all activity in the transfer accounts are being properly approved by resolution. They should also ensure that the accounting program is not mistakenly posting amounts to the transfer accounts, and resolve those problems with the software provider as they arise.

- (E) Unclaimed Property – We noted during the year that there were outstanding transactions that were over two years old that have not been submitted to the Office of Treasurer of State in accordance with Chapter 556.11 of the Iowa Code.

Recommendation – Outstanding obligations should be reviewed annually and amounts over two years old should be remitted to the Office of Treasurer of State annually, as required.

- (F) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the community and economic development function prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (G) Questionable Disbursements – During the year, \$1,000 was donated to each the Everly Museum and to the Hope Food Pantry. These disbursements may not meet the requirements of public purpose as defined by the Attorney General’s opinion dated April 25, 1979 since the public benefit to be derived has not been clearly documented.

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further donations. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper public purpose as defined by the Code of Iowa.